PERAC AUDIT REPORT

Quincy Contributory Retirement System

JAN. 1, 2003 - DEC. 31, 2005

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

TABLE OF CONTENTS

Letter from the Executive Director 1

Explanation of Findings and Recommendations 2

Statement of Ledger Assets and Liabilities 5

Statement of Changes in Fund Balances 6

Statement of Receipts 7

Statement of Disbursements 8

Investment Income 9

Schedule of Allocation of Investments Owned 10

Supplementary Investment Regulations 11

Notes to Financial Statements:

Note 1 - Summary of Plan Provisions 14

Note 2 - Significant Accounting Policies 21

Note 3 - Supplementary Membership Regulations 22

Note 4 - Administration of the System 23

Note 5 - Actuarial Valuation and Assumptions 24

Note 6 - Membership Exhibit 25

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

August 14, 2007

The Public Employee Retirement Administration Commission has completed an examination of the Quincy Retirement System pursuant to G. L. c. 32, § 21. The examination covered the period from January 1, 2003 to December 31, 2005. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Mary Dundas and Martin J. Feeney who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton

Joseph E. Connarton
Executive Director

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EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. **<u>Annuity Savings Fund</u>:**
The Board has been unable to reconcile its general ledger with its supplemental membership schedule since 1996. At year-end 2005, the difference was $213,083.61.

Recommendation:
As recommended in the two previous audits, the Board must reconcile the balances in members' accounts with the numbers reported on its financial statements.

<u>Board Response:</u>
The Office staff is making progress with the Annuity Savings Fund differences and plans to have all discrepancies resolved by the time of the auditors' follow-up.

2. **<u>Cash Reconciliation</u>:**
The December 31, 2005 cash balance of $ 3,698,598 shown on the 2005 Annual Statement differs from the December 31, 2005 cash balance of $ 3,692,382 reported on the audited financial statements presented by Melanson Heath & Company.

The Board closed three Citizens Bank accounts in 2005. There were no entries made to the books to account for the outstanding checks in these accounts. One account had outstanding checks at 12/31/05 of $24,590.46. Another account had outstanding checks at 12/31/05 of $83,370.28.

There are apparently two cash accounts in use. The activity for these two accounts is reflected in one general ledger account.

Monthly bank reconciliations are not provided to the Board by the Treasurer's office.

Recommendation:
The Executive Director should contact the audit firm to determine what adjustments should be made to the cash account so that the two balances are in agreement.

An analysis of the outstanding checks should be undertaken. Any outstanding checks not accounted for should be voided and entries should be made to the general ledger.

There are entries being made to the general ledger cash account that represent significant amounts. In order to more adequately control cash, separate general ledger accounts should be created for each bank account.

The Treasurer has a fiduciary responsibility for the care and custody of retirement funds, as outlined in G.L. c. 32, § 23(2)(a). As recommended in the prior two audits, bank reconciliations should be completed monthly and reviewed by both the Treasurer and Executive Director. Monthly bank reconciliations should be provided to Board members for their review at monthly Board meetings. The monthly activity in these cash accounts is substantial and the Board, as fiduciaries, should insist on timely bank reconciliations.

Board Response:
All of your recommendations have been adopted by the Board. The Executive Director has contacted Melanson & Heath regarding the cash balance adjustment as of December 21, 2005. The outstanding checks are being investigated and will be written back into the general ledger as appropriate. The Board has had discussion with the Treasurer and asked that the monthly reconciliations clearly identify in detail the activity in order to maintain oversight in the bank accounts. The Board has also requested a list of the tailings be provided for the cash accounts.

3. Expenses:
Travel reimbursement forms are not signed by the person submitting them for reimbursement.

Some expenses are being misclassified in the general ledger. An analysis of expenses showed that insurance, service contracts, and travel expenses were charged as administrative expenses. In order to more accurately reflect the System's expenditures, expenses were manually reclassified in this report.

The Board paid $28,000 in 2003, $29,000 in 2004, and $35,000 in 2005 as its portion of the City's independent audit. This audit was not procured or contracted by the Board. Since these expenses were not authorized by the Board, they are considered improper.

Recommendation:
Travel reimbursement forms must be signed by the person submitting the expenses as required by 840 CMR 2.04. The date submitted must also be included.

A review of the chart of accounts should be undertaken and a determination made as to which of the System's expenses should be charged to which accounts.

If the Board determines that an audit additional to PERAC's is required, it should investigate the cost of an audit for the Board alone. While the City's auditors may include Board data in their report, the City may not incur any debt on behalf of the Board. Consequently, the Board must seek to be reimbursed by the City for these expenses.

Board Response:
The travel reimbursement forms are being signed by the person submitting them, the expenses have been reviewed to ascertain that the proper accounts are being charged, and

the Board is procuring it own audit while requesting reimbursement from the City for previous audit expenses.

4. **Membership:**
The auditors found certain members of the school department, primarily classified as sub custodians, who have not enrolled as members of the System, although their years of service and hours worked qualify them for membership, according to the Board's own supplemental membership regulation approved on December 12, 1984.

Recommendation:
The Board must ensure that employees who qualify for membership under G.L. c. 32, § 3 and/or the Board's supplemental membership regulation are enrolled as members of the System. The Board should review the status of the aforementioned employees and enroll them as members. Additionally, the Board should periodically review a complete City payroll to determine whether there are additional employees eligible for membership who have not been enrolled.

Board Response:
The Board has contacted the School Department regarding the sub-custodians and has reviewed the City payroll to ensure eligible employees are paying into the retirement System.

5. **Current Retirees:**
The Board has refunded the retirement contributions of a deceased disability retiree to his spouse as part of a Section 9 accidental death benefit. The beneficiary chose a Section 9 benefit over a Option C benefit, which choice she was allowed pursuant to Chapter 149 of the Acts of 2004; however, a return of contributions is not allowed from the Annuity Reserve Fund in any case.

Recommendation:
Because the beneficiary of a member retired under Option A or Option C is not entitled to the amount of any accumulated deductions remaining in the member's annuity account, the Board must recoup the overpayment of approximately $105,400 made to the aforementioned spouse.

Board Response:
The board has contacted the beneficiary regarding the repayment of the monies paid in error and is expecting a resolution to this matter shortly.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS
(Continued)

6. **Minutes:**

   The Board has discussed disability applications in open session under circumstances which would have required executive sessions for the protection of members' privacy.

   Recommendation:

   The Board must comply with the Open Meeting Laws of the Commonwealth, as described in G.L. c. 39, § 23B. The Board is required to record the minutes of executive sessions in accordance with 840 CMR 6.12 and 10.12(3)(e), and G.L. c. 32, § 20(5).

   Board Response:

   The Board is in compliance with the Open Meeting Laws of the Commonwealth. The Law states that the Board **may** go into Executive Session to discuss certain matters including medical issues, it does not require the Board to discuss medical issues in executive session.

7. **Contracts:**

   In 2004 and 2005, the Board entered into contracts with three investment managers prior to obtaining PERAC approval. Approval of an investment manager selection must be sought and granted prior to funding any investment. The Board has since submitted the appropriate paperwork and PERAC issued approvals in 2006.

   Recommendation:

   The selection of any Board investment manager must always follow the process and meet the requirements of G.L. c. 32, § 23, and 840 CMR 16.08.

Ongoing Issue:

There is currently litigation in process between the City and Housing Authority relative to appropriation payments due from each entity. As a result of this litigation, there was a combined overpayment of $120,631.67 in FY04. In FY05 there was a combined underpayment of $788,372.62 and in FY06 there was a combined under payment of $389,374.24. The Board should keep the PERAC Actuary apprised of any changes to the above since it will affect future appropriations.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31, 2005	2004	2003
Net Assets Available for Benefits:			
Cash	$3,698,598	$1,546,362	$3,471,878
Fixed Income Securities	0	0	27,766,074
Equities	39,384,625	50,844,173	29,543,079
Pooled Domestic Equity Funds	99,265,136	87,213,297	101,246,215
Pooled International Equity Funds	28,786,513	28,910,933	23,977,007
Pooled Domestic Fixed Income Funds	78,678,224	82,382,345	55,842,980
Pooled Alternative Investment Funds	2,285,890	1,551,178	849,471
Pooled Real Estate Funds	24,419,942	20,730,794	18,452,103
PRIT Cash Fund	0	0	0
PRIT Core Fund	2,968,936	2,347,008	2,450,313
Interest Due and Accrued	29,433	7,449	348,167
Accounts Receivable	20,876,698	1,447,372	314,955
Less: Accounts Payable	15,728,082	186,924	193,022
Total	$284,665,913	$276,793,988	$264,069,219
Fund Balances:			
Annuity Savings Fund	$53,594,705	$51,080,534	$52,432,965
Annuity Reserve Fund	41,525,536	42,572,036	40,376,092
Pension Fund	(9,967,497)	1,696,626	14,187,370
Military Service Fund	6,255	6,218	7,012
Expense Fund	0	0	0
Pension Reserve Fund	199,506,914	181,438,574	157,065,781
Total	$284,665,913	$276,793,988	$264,069,219

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2003)	$51,074,306	$40,113,205	$25,883,313	$10,398	$0	$114,196,576	$231,277,798
Receipts	5,781,182	1,194,295	15,854,840	92	1,393,086	42,875,747	67,099,242
Inter Fund Transfers	(3,697,457)	3,707,478	0	(3,478)	0	(6,543)	(0)
Disbursements	(725,066)	(4,638,886)	(27,550,783)	0	(1,393,086)	0	(34,307,820)
Ending Balance (2003)	52,432,965	40,376,092	14,187,370	7,012	0	157,065,781	264,069,219
Receipts	5,741,575	1,257,472	17,553,125	42	1,269,649	24,372,188	50,194,051
Inter Fund Transfers	(5,864,992)	5,865,223	0	(836)	0	606	0
Disbursements	(1,229,014)	(4,926,751)	(30,043,869)	0	(1,269,649)	0	(37,469,283)
Ending Balance (2004)	51,080,534	42,572,036	1,696,626	6,218	0	181,438,574	276,793,988
Receipts	6,202,310	1,256,038	19,941,759	37	1,373,674	18,067,952	46,841,770
Inter Fund Transfers	(2,799,552)	2,799,164	0	0	0	388	(0)
Disbursements	(888,587)	(5,101,703)	(31,605,881)	0	(1,373,674)	0	(38,969,845)
Ending Balance (2005)	$53,594,705	$41,525,536	($9,967,497)	$6,255	$0	$199,506,914	$284,665,913

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004	2003
Annuity Savings Fund:			
Members Deductions	$5,309,796	$5,032,225	$4,836,860
Transfers from Other Systems	397,354	296,312	323,517
Member Make Up Payments and Re-deposits	110,282	127,559	135,662
Member Payments from Rollovers	93,263	3,973	0
Investment Income Credited to Member Accounts	291,614	281,506	485,143
Sub Total	6,202,310	5,741,575	5,781,182
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	1,256,038	1,257,472	1,194,295
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	571,759	378,140	335,092
Received from Commonwealth for COLA and Survivor Benefits	1,102,920	150,995	0
Pension Fund Appropriation	18,267,080	17,023,991	15,519,748
Sub Total	19,941,759	17,553,125	15,854,840
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	37	42	92
Sub Total	37	42	92
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	1,373,674	1,269,649	1,393,086
Sub Total	1,373,674	1,269,649	1,393,086
Pension Reserve Fund:			
Federal Grant Reimbursement	68,770	85,862	45,665
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	14,824	12,685	21,697
Miscellaneous Income	0	0	0
Excess Investment Income	17,984,358	24,273,641	42,808,385
Sub Total	18,067,952	24,372,188	42,875,747
Total Receipts	$46,841,770	$50,194,051	$67,099,242

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004	2003
Annuity Savings Fund:			
Refunds to Members	$536,352	$570,508	$492,183
Transfers to Other Systems	352,236	658,505	232,883
Sub Total	888,587	1,229,014	725,066
Annuity Reserve Fund:			
Annuities Paid	4,963,364	4,801,534	4,452,618
Option B Refunds	138,339	125,217	186,268
Sub Total	5,101,703	4,926,751	4,638,886
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	23,287,201	22,179,164	20,171,841
Survivorship Payments	1,302,475	1,240,110	1,229,508
Ordinary Disability Payments	129,654	146,145	173,713
Accidental Disability Payments	4,392,078	4,248,811	3,793,230
Accidental Death Payments	1,443,899	1,386,843	1,364,873
Section 101 Benefits	75,470	88,493	87,860
3 (8) (c) Reimbursements to Other Systems	716,386	505,634	483,277
State Reimbursable COLA's Paid	258,718	248,671	246,480
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	31,605,881	30,043,869	27,550,783
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	0	0	0
Expense Fund:			
Board Member Stipend	15,000	15,000	12,000
Salaries	218,001	213,851	205,665
Legal Expenses	34,742	25,303	25,199
Medical Expenses	20	321	551
Travel Expenses	14,024	14,512	10,405
Administrative Expenses	56,676	49,745	56,013
Furniture and Equipment	3,598	0	18,526
Management Fees	820,633	767,672	900,511
Custodial Fees	58,918	41,356	35,877
Consultant Fees	74,070	65,000	65,000
Rent Expenses	47,608	46,645	46,260
Service Contracts	12,276	11,125	10,135
Fiduciary Insurance	18,107	19,120	6,943
Sub Total	1,373,674	1,269,649	1,393,086
Total Disbursements	$38,969,845	$37,469,283	$34,307,820

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31, 2005	2004	2003
Investment Income Received From:			
Cash	$70,780	$47,357	$93,914
Short Term Investments	0	0	0
Fixed Income	0	863,657	2,904,437
Equities	430,205	516,644	448,474
Pooled or Mutual Funds	1,849,174	1,670,390	1,625,763
Commission Recapture	11,141	10,489	29,307
Total Investment Income	2,361,299	3,108,537	5,101,895
Plus:			
Realized Gains	8,543,631	7,245,575	7,784,769
Unrealized Gains	33,598,182	34,971,761	46,253,654
Interest Due and Accrued on Fixed Income Securities - Current Year	29,433	7,449	348,167
Sub Total	42,171,245	42,224,785	54,386,589
Less:			
Paid Accrued Interest on Fixed Income Securities	0	92,144	625,484
Realized Loss	4,213,785	3,183,711	2,528,146
Unrealized Loss	19,405,589	14,556,601	9,918,660
Interest Due and Accrued on Fixed Income Securities - Prior Year	7,449	348,167	535,193
Sub Total	23,626,822	18,180,623	13,607,483
Net Investment Income	20,905,722	27,152,699	45,881,002
Income Required:			
Annuity Savings Fund	291,614	281,506	485,143
Annuity Reserve Fund	1,256,038	1,257,472	1,194,295
Military Service Fund	37	42	92
Expense Fund	1,373,674	1,269,649	1,393,086
Total Income Required	2,921,363	2,808,669	3,072,616
Net Investment Income	20,905,722	27,152,699	45,881,002
Less: Total Income Required	2,921,363	2,808,669	3,072,616
Excess Income To The Pension Reserve Fund	$17,984,358	$24,344,030	$42,808,385

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2005		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	$3,698,598	1.32%	100%
Short Term	0	0.00%	100%
Fixed Income	0	0.00%	40-80%
Equities	39,384,625	14.09%	50% **
Pooled Domestic Equity Funds	99,265,136	35.52%	50% **
Pooled International Equity Funds	28,786,513	10.30%	10% **
Pooled Domestic Fixed Income Funds	78,678,224	28.15%	40-80%
Pooled Alternative Investment Funds	2,285,890	0.82%	5%5%
Pooled Real Estate Funds	24,419,942	8.74%	10%10%
PRIT Cash Fund	0	0.00%	100%
PRIT Core Fund	2,968,936	1.06%	100%
Grand Total	$279,487,864	100.00%	

** Total equities not to exceed 50%, including international equities, which are not to exceed 10%.

For the year ending December 31, 2005, the rate of return for the investments of the Quincy Retirement System was 7.98%. For the five-year period ending December 31, 2005, the rate of return for the investments of the Quincy Retirement System averaged 6.02%. For the twenty-one-year period ending December 31, 2005, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Quincy Retirement System was 9.62%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Quincy Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

December 4, 2006

16.08 In accordance with Investment Guideline 99-2, the Quincy Retirement Board is authorized to modify its passive fixed income management mandate with State Street Global Advisors. The Board's current investment in SSgA's Lehman Index strategy will be supplemented by an allocation to SSgA's TIPS Index strategy. This allocation will give the Board additional diversification within its fixed income portfolio as well as an inflation hedge. The Board and its consultant have determined that, on the basis of both investment capability and fees, the SSgA fund is the best option by which to achieve this objective.

March 30, 2006

19.01(6) Notwithstanding the provisions of Public Employee Retirement Administration Commission regulations, the Quincy Retirement Board may invest funds of the Quincy Retirement System (the "System") in the fund known as AEW Partners V, L.P. ("the Fund"), and while the funds of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq.; the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualified as a "venture capital operating company" or "real estate operating company" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations promulgated thereunder.

The Limitations and restrictions of 840 CMR Section 19.01(6) shall not apply to the Fund for the two-year period commencing on the date of the Fund's initial investment.

March 23, 2005

16.08 In accordance with Investment Guideline 99-2, the Quincy Retirement System is authorized to modify its large cap equity index mandate with RhumbLine Advisors. Both the S&P 500 Index and the Russell 1000 Index track the universe of large capitalization stocks, and the performance of the two indices are very similar over time. Investing concurrently in the Value and Growth sub-indices of the Russell 1000 will give the Board the flexibility to periodically re-balance between the two sub-indices and should increase returns over time. Thus, the Board is transferring its assets from RhumbLine's S&P 500 Fund to approximately equal-weighted investments in RhumbLine's Russell 1000 Growth Fund and Russell 1000 Value Fund. The Board has had a satisfactory relationship with RhumbLine since 1992.

November 25, 2003

16.08 In accordance with PERAC Investment Guideline 99-2, the Quincy Retirement Board is authorized to modify its existing fixed income mandate with State Street Global Advisors. In transferring from SSGA's Government/Credit index strategy to its Lehman Aggregate index strategy, the board will be adding exposure to mortgage-backed securities. This added diversification will reduce the account's duration or interest-rate sensitivity.

June 10, 1998

20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 15% of the market value of fixed income investments may be invested in bonds with a quality rating of B and Ba or equivalent as rated by one or more recognized bond rating services

20.06(4) Fixed income holdings which are downgraded by one or more recognized rating services to below a Baa or equivalent rating must be sold within a reasonable period of time not to exceed one year, however, 15% of the market value of fixed income investments may be invested in bonds with a quality rating of B and Ba or equivalent.

May 4, 1995

20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

20.04(1) United States based corporations and equities of foreign corporations.

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

February 21, 1992

4.03 Copies to be sent to PERA

(1) Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy of the following for the month

(a) cashbook entries;

(b) trial balance; and

(c) journal entries.

June 15, 1990

20.04(1) United States based corporations, bonds of foreign based corporations and fixed income Canadian securities, provided that:

(a) all such foreign bonds are denominated in U.S. currency and issued and traded in U.S. markets, and the total of all such foreign bonds shall be considered part of the board's fixed income asset allocation and shall not exceed 5% of the total market value of the portfolio; and

(b) all such Canadian securities are denominated in U.S. currency and issued and traded in U.S. markets, and the total of all such securities shall be considered part of the board's fixed income asset allocation and shall not exceed 5% of the total market value of the portfolio.

20.04(6) American Depository Receipts denominated in U.S. currency and listed on a United States stock exchange or traded over the counter in the United States, provided that the total of all such investments shall be considered part of the board's equity assets allocation and shall not exceed 5% of the total market value of the portfolio.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Quincy Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of $30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

- Salary is defined as gross regular compensation.

- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.

- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, s. 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s. 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching "maximum age".

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There is no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of $611.28 per year (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of $312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of $100,000.00 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of $6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is $3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of $1,440 per year for the first child, and $1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first $12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Quincy Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 12, 1984
Membership   Regular Employed -

Full-time Employees: Obliged to join immediately.

Temporary Employees: Obliged to join after six (6) months.

Part-time Employees:

a. Obliged to join immediately if working 24 hours or more per week on a permanent basis.

b. Obliged to join after six (6) months if working 24 hours or more per week on a temporary basis.

Members of the Retirement System have to resign or be discharged in order to withdraw their funds.

Membership must be continued regardless of reduction of hours.

Employees who work 24 hours or more per week must join the Retirement System.

Creditable Service will be pro-rated using a full time work schedule for the position as a base to calculate part-time credit.

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Auditor who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such System, and a fifth member appointed by the other four Board members.

Ex-officio Member:	Richard D. Fitzpatrick		
Appointed Member:	Francis X. McCauley	Term Expired:	4/25/07
Appointed Member:	Robert Haley	Term Expires:	indefinite
Elected Member:	Richard P. Crespi	Term Expires:	12/16/07
Elected Member:	George F. McCray	Term Expires:	11/19/08
Appointed Member:	Roger E. Perfetti	Term Expires:	12/17/08

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the System. The Board must annually file a financial statement of condition for the System with the Executive Director of PERAC.

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following Retirement Board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	MACRS policy:
Ex-officio Member:	)	
Elected Member:	)	$ 1,000,000 Fidelity Bond
Appointed Member:	)	$ 50,000,000 Fiduciary Liability
Staff Employee:	)	

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2005.

The actuarial liability for active members was	$150,483,751
The actuarial liability for retired members was	324,085,181
The total actuarial liability was	474,568,932
System assets as of that date were	276,793,988
The unfunded actuarial liability was	$197,774,944
The ratio of system's assets to total actuarial liability was	58.3%
As of that date the total covered employee payroll was	$59,492,900

The normal cost for employees on that date was	8.46% of payroll
The normal cost for the employer was	5.28% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.00% per annum
Rate of Salary Increase:	5.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION
AS OF JANUARY 1, 2005

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2005	$276,793,988	$474,568,932	$197,774,944	58.3%	$59,492,900	332.4%
1/1/2003	$231,277,798	$436,352,345	$205,074,547	53.0%	$58,949,749	347.9%
1/1/2001	$264,401,826	$369,363,953	$104,962,127	71.6%	$56,824,726	184.7%

NOTE 6 - MEMBERSHIP EXHIBIT

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Retirement in Past Years										
Superannuation	38	54	136	56	18	21	14	43	17	32
Ordinary Disability	0	0	1	0	0	0	1	0	0	0
Accidental Disability	7	8	14	3	3	6	1	2	2	5
Total Retirements	45	62	151	59	21	27	16	45	19	37
Total Retirees, Beneficiaries and Survivors	1,465	1,474	1,676	1,835	1,761	1,746	1,891	2,028	1,835	1,888
Total Active Members	2,138	2,286	2,518	1,923	1,873	1,849	1,726	1,425	1,350	1,408
Pension Payments										
Superannuation	$10,006,969	$10,822,745	$11,094,257	$12,281,825	$16,277,967	$16,452,157	$18,473,420	$20,171,841	$22,179,164	$23,287,201
Survivor/Beneficiary Payments	901,359	829,362	874,413	933,237	973,589	1,043,779	1,187,369	1,229,508	1,240,110	1,302,475
Ordinary Disability	200,075	199,478	188,905	189,128	198,656	200,042	183,744	173,713	146,145	129,654
Accidental Disability	2,485,157	2,629,349	2,733,806	2,659,908	2,906,040	3,268,475	3,420,942	3,793,230	4,248,811	4,392,078
Other	1,140,408	1,187,639	1,341,216	1,895,926	1,926,590	1,855,957	1,890,291	2,182,491	2,229,640	2,494,473
Total Payments for Year	$14,733,968	$15,668,573	$16,232,597	$17,960,024	$22,282,842	$22,820,410	$25,155,766	$27,550,783	$30,043,869	$31,605,881

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